

AMERADA HESS CORPORATION

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Department of the Interior
Minerals Management Service
Attention: Rules Processing Team
381 Elden Street, Mail Stop 4024
Herndon, Virginia 20170-4817

Re: Increasing Base Rentals and Sliding Scale Rentals

Dear Sir or Madam:

Amerada Hess Corporation (AHC) appreciates the opportunity to comment on the Minerals Management Service's (MMS) Federal Register notice which proposed to increase base level rentals and implement the use of sliding scale rentals in the Gulf of Mexico (GOM). AHC is an active participant in all phases of exploration and production in the offshore oil and gas industry and owns numerous deepwater leases in the GOM, both producing and non-producing. AHC is aware of our country's increasing need to locate and produce its oil and gas resources, but opposes the proposed increase to base level rentals and the use of sliding scale rentals.

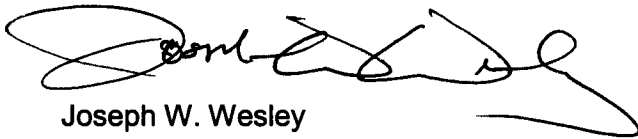
MMS proposes an increase in base rentals for deepwater leases (greater than 200 meters), on a non-escalating basis, from \$7.50 to \$9.50 per acre which is an increase of approximately 27%. Furthermore, the proposed lease rental rate increase on deepwater leases not drilled during their primary term exceeds 55% when the sliding scale component is added. The annual rental cost for an undrilled GOM deepwater lease with a 10 year term under MMS's proposal would increase from the present life-of-lease rental obligation of \$432,000 to \$672,480, an increase of \$240,480 per lease.

We believe the MMS' proposed sliding scale system will have a detrimental effect on deepwater exploration and does not take in account the geologic complexity and sub-salt structures associated with the high potential, high risk exploration plays of the deepwater GOM. In areas where industry lacks well control and other data are limited, some lessees attempt to purchase targeted geological prospects and leases on trend with the targeted opportunities. This trend leasing strategy allows lessees to develop additional drilling opportunities if initial exploration drilling is successful and helps to reduce the risks associated with exploring in frontier areas. If the sliding scale is implemented, AHC believes the rental increases will have a negative impact on the number of trend leases receiving bids due to the increased cost of maintaining non-producing leases.

In addition, AHC does not believe that increasing the rental amount in year 6 of the primary term will encourage lessees to drill sooner. It takes considerable time and effort to properly evaluate and assemble a deepwater prospect which many times requires cooperation and agreement among several lessees. Lessees already drill and develop the best prospects in their lease inventory as early as possible and should not be penalized for failing to drill early in the leases' primary term.

AHC appreciates the opportunity to comment on the proposed change in rental rates.

Sincerely,

A handwritten signature in black ink, appearing to read "Joseph W. Wesley", with a long horizontal flourish extending to the right.

Joseph W. Wesley